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President Obama on Tuesday staunchly defended his decision to compromise with Republicans and temporarily extend tax cuts for all Americans despite growing Democratic opposition.

"A long political fight that carried over into next year might have been good politics, but it would be a bad deal for the economy and it would be a bad deal for the American people," Obama said at a press conference. "My responsibility as president is to do what's right for the American people."

"Because of this agreement, middle class Americans won't see their taxes go up on Jan. 1," he added.

Obama's comments came as his fellow Democrats questioned whether he had been too quick to compromise with Republicans.

While analysts say the deal Obama struck with Republicans will still likely get passed in Congress, Obama risked a rift with many in his party who are already upset at heavy losses in last month's mid-term elections.

Stock markets in the United States and Europe applauded the tax deal, which would keep the current low rates in place for another two years even for the nation's richest households.

But support remained unclear among Democrats, who sought tax reductions only for the lower and middle class before they hand over control of the House of Representatives to Republicans in January.

Still, independent Senator Joe Lieberman predicted Tuesday that most Senate Democrats will vote in favor of the tax-compromise package.

Lieberman offered his prediction after a meeting with Senate Democrats, and after Senate Republican Leader Mitch McConnell said he expects the "vast majority" of the Senate

Republicans to support the package.

The deal calls for a 13-month extension of unemployment benefits, which could placate Democrats, but Obama also conceded to Republican demands on the estate tax, by proposing a 35 percent tax with a \$5 million individual exemption level.

Obama cast his decision to accede to the GOP position on extending the tax cuts in stark terms.

"It's tempting not to negotiate with hostage takers-unless the hostage gets hung," he said. "Then, people will question the wisdom of that strategy. In this case, the hostage was the American people, and I was not willing to see them get harmed."

He made a point to note that he long has opposed-and still opposes-keeping tax cuts in place for the sliver of Americans making \$200,000 or more a year.

He said the American people agree with his position, but "I haven't persuaded the Republican Party."

Even though Democrats will control both houses of Congress until January, Obama insisted the deal was necessary to ensure enough Republican support in Congress to extend unemployment benefits that also are about to expire, and he said a long, bloody battle with the GOP would be detrimental to recession-weary Americans.

"This isn't an abstract debate. This is real money for real people," he said. "This package will help strengthen the recovery. That I'm confident about."

House Speaker Nancy Pelosi said Democrats would "continue discussions" on the deal in coming days.

Representative Steny Hoyer, the No. 2 House Democrat, said he had not yet decided whether to back it.

"We had a long meeting yesterday with the president. There was at that point in time no consensus or agreement reached by the House leadership," Hoyer said.

Taxes would go up for almost all Americans if no extension is approved, and analysts predicted the measure would ultimately become law as enough Republicans would back the deal to offset the Democrats who oppose it.

"I think the support is there to pass this package," said Ethan Siegal, an analyst with The Washington Exchange, which tracks Congress for investors, who expects it to pass next week after critics are given a chance to speak out.

Stocks rose on prospects that the tax breaks will prompt increased consumer spending and buoy the economy.

The White House pointed out that the deal would achieve Democrats' priority by preventing a tax increase for working families that would average \$3,000.

It would also help those struggling in the wake of the worst recession since the 1930s by extending unemployment benefits and other tax cuts focused on those with more modest incomes, the White House said.

But many Democrats argued that Obama had given Republicans their top priority-extending the tax breaks for the richest 2 percent of U.S. households-without getting enough in return.

"This is a deal that will continue to explode the deficit while the rich get richer and struggling middle-class families get crumbs," said Democratic Representative Betty McCollum, who said she would vote against it.

Moody's Investors Service is worried the extension of U.S. tax cuts could become permanent, hurting U.S. finances and its credit ratings in the long run.

Steven Hess, Moody's lead sovereign analyst for the United States, said he does not foresee any change in the U.S. AAA ratings in the next 18 months to two years, but says he is concerned about "what's going to happen in two years."

The Obama plan would cost \$501 billion in lost tax revenues, according to the nonpartisan Congressional Budget Office, at a time when voters are increasingly concerned about budget deficits that have approached 10 percent of economic output in recent years.

"Generally tax deals like this are very good news, but unfortunately this reduces revenue on top of extending jobless benefits, which is bad for deficits. In the short run this is good news, but two to three years down the road foreign buyers of U.S. Treasuries may start to balk," said David Carter, chief investment officer at Lenox Advisors in New York.

Biden's office argued that the federal budget would recover within five years or so.

"These are responsible, temporary measures to support our economy that will not add costs by the middle of the decade," Biden's office said in a fact sheet outlining the deal.

A Republican aide warned that his party would block the inclusion of Build America bonds, a taxable bond program popular with states, cities, and other municipal issuers.

Democrats said the issue was still on the table. Tax breaks for ethanol, clean technology, and employers who hire unemployed workers were also in the mix.